



DEPUTY SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1010

MAR 23 2000



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Department of Defense Reform Initiative Directive
DRID) #54- Logistics Transformation Plans

This memorandum provides guidance for the submission of annual logistics transformation plans. When approved, the transformation plans will be used by the Military Components, Defense Logistics Agency (DLA), and U.S. Transportation Command (USTRANSCOM) as vehicles for obtaining resources and executing the DoD Logistics Strategic Plan goals and objectives.

The Military Components, DLA, and USTRANSCOM will submit their transformation plans for review by July 1, 2000. This will allow for Summer program review consideration should it be necessary. DLA may submit an annotated DLA Performance Contract (specifically addressing Sections 2.0 and 3.0 of the attached Logistics Transformation Plan format). These plans will be long-range planning tools. At a minimum, they will cover the period from Fiscal Years 2000 through 2007 (the end of the next Future Years Defense Plan). Plans will be approved as follows: for each Military Service, the respective Vice Chief of Staff; for DLA, the Under Secretary of Defense (Acquisition, Technology, and Logistics); and, for USTRANSCOM, the Vice Chairman, Joint Chiefs of Staff.

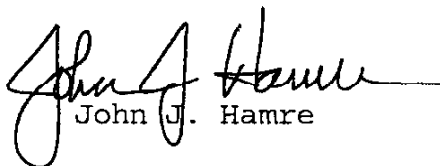
I am particularly interested in attaining four intermediate objectives: (1) accelerating progress in implementing Customer Wait Time using variance based computations and the other performance measures in the DoD Logistics Strategic Plan in Fiscal Year (FY) 2001 (if a performance measure cannot be implemented in this time, the rationale for deferral and a milestone plan for full implementation will be submitted with the transformation

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plan); (2) adopting a simplified priority system by FY 2002 that provides time-definite delivery driven by the warfighter's Required Delivery Date; (3) achieving accurate total asset visibility and accessibility through the use of automatic identification technology/automated information systems and transformed business practices by FY 2004; and, (4) fielding a web-based, shared data environment providing seamless, interoperable, real-time logistics information for the Department by FY 2004 to early deploying forces and by FY 2006 to the remainder of the force. Therefore, I am directing the Military Components, Defense Agencies, and USTRANSCOM to have completed implementation of the DoD Logistics Strategic Plan by FY 2006, ensuring attainment of the intermediate objectives in the times specified. Implementation of a simplified priority system and fielding of a web-based, shared data environment for logistics information will be based on standard guidance provided by OSD and J4.

To assist me in establishing and reviewing the transformation plans, I direct the Under Secretary of Defense (Acquisition, Technology, and Logistics) to conduct an annual review of Military Components, DLA, and USTRANSCOM plans. The Deputy Under Secretary of Defense (Logistics and Material Readiness) will prepare an annual evaluation for the Under Secretary of Defense (Acquisition, Technology, and Logistics) and document progress on implementing the DoD Logistics Strategic Plan. Beginning in calendar year 2001, annual transformation plans and the related Strategic Plan performance measurement data will be submitted with the Program Objective Memorandum to facilitate program and budget reviews.

Logistics transformation must be rapid. The goals and objectives of the Logistics Strategic Plan must urgently become today's capability instead of tomorrow's vision. We must drive down our costs (e.g., pipeline, maintenance, and logistics footprint costs) as we leverage emerging technology to increase the visibility, accuracy, and speed of logistics operations without compromising our effectiveness. World-class warfighting logistics is our challenge, and we must work together to provide it.


John J. Hamre

Attachment:
As stated

LOGISTICS TRANSFORMATION PLANS
FY 2001 – FY 2007

GUIDELINES FOR PREPARING LOGISTICS TRANSFORMATION PLANS

GENERAL: The purpose of the logistics transformation plans is to document, on an annual basis, planned actions and related resources for implementing logistics initiatives, including actions that directly support the DoD Logistics Strategic Plan. To minimize this effort and achieve maximum consistency with planning and execution efforts, transformation plans should use existing sources of information when possible. For example, resource information should be obtained from current POM and budget submissions. Process improvement information should reflect actions reported in congressional reports or similar documents, such as National Performance Review reports. The transformation plans should provide a total logistics perspective. The Components will prepare plans for supply and maintenance functions, DLA will prepare a supplement to their Performance Contract for supply and distribution functions reporting only the transformation plan information not already provided and USTRANSCOM will prepare a plan for transportation functions.

The transformation plans will be structured to provide information on overall logistics operations and resource plans in Sections 1.0 and 2.0, respectively; information on logistics transformation initiatives supporting Logistics Strategic Plan objectives in Section 3.0; and national supply, maintenance, and transportation business plans required by the Defense Planning Guidance in Section 4.0. Section 5.0 will provide information on assistance that the Component may need to implement planned initiatives.

- 1.0 INTRODUCTION** – This section will provide a summary of the transformation plan, including the vision, overarching strategy, expected outcomes, and management plan.
 - 1.1 Mission / Vision** – Provide the Component's mission and vision statement for improving logistics support. Examples of titles used recently to identify these programs are Velocity Management, Agile Logistics, Precision Logistics, and High Yield Logistics.
 - 1.2 Strategy** – Describe the strategy to achieve the desired logistics transformation. Identify responsible organizations and supporting implementation plans critical to successful change management. Explain how competing interests and other obstacles are addressed.
 - 1.3 End State** – Provide an overview of anticipated changes to infrastructure and logistics processes. At a minimum, address the defining end-state characteristics in the FY00 DoD Logistics Strategic Plan.
 - 1.4 Management Plan** – Describe the management framework to complete transformation efforts on time and achieve the desired results. Provide a synopsis of the organizational structure and, where appropriate, the schedule for progress reviews.

- 2.0 LOGISTICS COST BASELINE** – This section will show the logistics cost baseline from the current year to the end of the FYDP. This section will also discuss reasons for major trends and trend changes. The Component portion of the OSD Logistics Cost Baseline Database will be the source for total logistics costs. **(Section 2.0 will not be required in the FY00 submission.)**
- 3.0 IMPLEMENTATION STRATEGY** – This section will relate Component initiatives to the DoD Logistics Strategic Plan objectives (each objective is listed below). Because some Component initiatives affect more than one objective, Components should report each initiative under the objective for which it will have the greatest impact. For example, regionalization of support services may improve support to the warfighter (objective #1), but if its major objective is to reduce cost, it should be reported under objective #6. If an initiative seems to cover many logistics objectives, consideration should be given to describing elements of the initiative under each applicable objective. Performance measurements for each objective will be used to report progress in meeting milestones in the Logistics Strategic Plan.
- 3.1 Objective #1: Optimize Support to the Warfighter.** The Components will determine their existing aggregate mission capable (MC) rates and establish appropriate goals for higher aggregate MC rates within specified times. Initiatives discussed under this strategy will address establishing and tracking MC rates or alternative measures that describe the operational capability of a weapon system or a unit and the higher aggregation of those measures. Discuss initiatives, and related metrics, to increase MC or alternative readiness measures under this strategic objective.
- 3.1.1 Narrative Description** – Describe the initiative and how it relates to the DoD Strategic Plan objective.
- 3.1.2 Key Activities and Milestones** Provide the key activities and milestones planned over the FYDP by fiscal year.
- 3.1.3 Resources** – Provide the resources, by program element, that are necessary to complete the activities by fiscal year over the FYDP. Indicate which resources are planned and which are programmed. Describe risks associated with current funding levels.
- 3.1.4 Office of Primary Responsibility** – Identify the office of primary responsibility for the initiative.
- 3.1.5 Performance Measure** – The performance measurement for objective #1 is MC rate. Show the baseline measurement, the FY06 goal, and annual objectives and progress toward the goal.
- 3.2 Objective #2: Improve Strategic Mobility to Meet Warfighter Requirements.** To improve support to the warfighter, increase cargo airlift, sealift surge, and afloat pre-position capacity to meet DoD guidance. Also, develop a measurement approach and appropriate targets for mobility infrastructure and mobility process improvements.

3.2.1 through 3.2.4 same as 3.1.1 through 3.1.4 above.

3.2.5 Performance Measure The performance measurement for objective #2 is strategic mobility. Show the baseline measurement, the FY06 goal, and annual progress toward the goal.

3.3 Objective #3: Implement Customer Wait Time (CWT) as the DoD

Logistics Metric. CWT is the elapsed time from issuance of a customer order to satisfaction of that order. This objective will establish CWT as the key DoD performance metric and will require refining the definition of CWT, developing appropriate measures, and implementing them.

3.3.1 through 3.3.4 same as 3.1.1 through 3.1.4 above.

3.3.5 Performance Measure – The performance measurement for objective #3 is CWT. Show the baseline measurement, the FY06 goal, and annual progress toward the goal.

3.4 Objective #4: Fully Implement Total Asset Visibility Across DoD. Asset visibility is the ability of users to view information on the identity and status of all DoD materiel and, in some cases, complete a business transaction using that information. DoD materiel assets to be included are in-storage (wholesale and retail), in-process (maintenance and procurement), and in-transit. This objective will also address the DEPSECDEF's interests in automatic identification technology in a shared data environment.

3.4.1 through 3.4.4 same as 3.1.1 through 3.1.4 above.

3.4.5 Performance Measure – The performance measurement for objective #4 is asset visibility. Show the baseline measurement, the FY06 goal, and annual progress toward the goal.

3.5 Objective #5: Reengineer/Modernize Applicable Logistics

Processes/Systems. As DoD updates and replaces its legacy logistics business systems with modern, Defense Information Infrastructure/Common Operating Environment-compliant systems, measuring and reporting of progress is essential. The Components will develop logistics process and system modernization plans by the end of FY01, and increase the proportion of modern logistics business systems according to those plans by the end of FY06. This objective will also address the DEPSECDEF's interests in Web-based logistics information systems.

3.5.1 through 3.5.4 same as 3.1.1 through 3.1.4 above.

3.5.5 Performance Measure – The performance measurement for objective #5 is the progress in achieving the FY06 system modernization goals. Show the baseline measurement, the FY06 goal, and annual progress toward the goal.

- 3.6 Objective #6: Minimize Logistics Costs While Meeting Warfighter Requirements.** Reduce the cost of logistics support for selected weapon systems by FY06. Logistics support includes elements, such as maintenance, supply, distribution, transportation, and combatant logistics.

3.6.1 through 3.6.4 same as 3.1.1 through 3.1.4 above.

3.6.5 Performance Measure – The performance measurement for objective #6 is the logistics cost for selected systems. Show the baseline measurement, the FY06 goal, and annual progress toward the goal.

- 4.0 NATIONAL SUPPLY, MAINTENANCE, AND TRANSPORTATION BUSINESS PLANS** – This section will contain business plans for national supply, maintenance, and transportation consistent with the Defense Planning Guidance. Only organizations listed in the following table will be required to provide business plans (DLA will submit a supplement to their performance contract with only the transformation plan information not already reported).

Component	Activity Group
Army	Supply Management
	Depot Maintenance
Navy/Marine Corps	Supply Management
	Depot Maintenance – Shipyards
	Depot Maintenance – Aviation
	Depot Maintenance – Marine Corps
Air Force	Supply Management
	Depot Maintenance – Aviation
DLA	Supply Management
	Distribution
TRANSCOM	Transportation

- 4.1 Primary Mission** – Provide or describe the mission statement for the functional areas covered by the plan.
- 4.2 Business Objectives** – In narrative form, describe the primary objectives of the logistics program for the FYDP (e.g., improve customer support by reducing logistics cycle times, reduce inventories, replace or modernize logistics systems, reduce workforce, consolidate organizations and facilities, upgrade technology). This entry should help identify significant process improvements or better resource utilization planned for the future.

- 4.3 Organizational Responsibilities** – For each logistics organization listed in the table, describe the management organization. Include an organizational diagram if needed for clarity.
- 4.4 Organizational Relationships** – For each logistics organization listed in the table, provide a brief narrative statement of organizational responsibilities and major tasks performed (e.g., Navy Inventory Control Point: Accomplishes all materiel management functions for items of supply assigned for Navy integrated materiel management responsibility).
- 4.5 Product Lines and Services** – Describe in narrative form the types of materiel and logistics services provided (e.g., acquisition, maintenance, and delivery of reparable components, processing of materiel requisitions, resolution of materiel support problems).
- 4.6 Customers** – Briefly describe the significant customers. Discuss customers in terms of materiel and services provided, customer organizations, and level of logistics performance required.
- 4.7 Planning Environment** – Describe the driving or constraining factors that must be considered when projecting the success of the logistics program. They may include customer requirements, process management concepts, private-sector business trends or strategies, funding shortfalls, personnel or skill deficiencies, aging weapons and equipment, difficulty of implementing new technologies, legislative requirements or political influences, organizational or cultural impediments, and unclear management policy.
- 4.8 Initiatives** – Describe logistics transformation initiatives for which the activity group has responsibility or that impact the cost of operations.
- 4.9 Resources** – Using the latest POM or budget submissions as sources when possible, provide summary tables for the following information:
- 4.9.1 Resources** – For DWCF and appropriations for the current year, budget year, budget year plus one, and FYDP provide:
- a. Table of actual and planned funding requirements for the operation of the activity group (direct funding requirements).
 - b. Table for other costs not directly related to the operation of the activity group that are collected through pricing or funded through direct appropriation.
 - c. A summary of activity group personnel requirements
- 4.9.2 Process Improvement Investments** – For the initiatives describe in Section 4.8, provide a summary table of funding data (both investments and cost reductions) for the current year, budget year,

budget year plus one, and FYDP consistent with the latest Component POM submission. For initiatives where the planned investments or cost savings have not been included in the POM submission, provide a summary table of funding data (investments and cost reductions) consistent with the business case analysis used in developing the initiative for the current year, budget year, budget year plus one, and the FYDP.

- 5.0 REQUIRED ASSISTANCE** – This section will describe any assistance that the Components require to implement the initiatives.